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ABSTRACT

This eighth semi-annual report issued by the United States Department of Education's Office of Inspector General (OIG) summarizes the activities and accomplishments of that office during a 6-month period ending March 31, 1984. A condensation of audits of Department of Education programs presents statistics on OIG activities and the allocation of audit resources, as well as highlights of significant audits including those recommending recovery of misspent federal funds. Investigation activities are noted, as well, including highlights of cases presented and an update of previously reported investigation. Descriptions of steps taken by the OIG to improve the management of the Department of Education itself cover internal control reviews, reviews of manually processed loan payments and migrant program funding, and the review of legislation and regulations affecting the economy of the department. Appendixes include a list of audits for the 6-month period covered in the report. (JW)

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U.S. DEPARTMENT OF EDUCATION

Semi-Annual Report to Congress

OCTOBER 1, 1983 - MARCH 31, 1984 NO. 8

(Submitted pursuant to Public Law 95-452)

Efforts by the Office of Inspector General this period to prevent and detect fraud, waste and mismanagement continue to provide significant benefits to the Department.

- OIG audits questioned or recommended disallowance of costs totaling $34 million (p. I-1)
- Management made commitments to seek recovery of $29.4 million as a result of audits closed (p. I-18)
- Recoveries on audits resolved amounted to $3.5 million (p. I-18)
- Investigations resulted in 68 indictments and 53 convictions/pleas (p. II-1)
- Assessed fines and restitutions from investigative activities totaled about $555,000 (p. II-1)

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Office of Inspector General

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

APR 30 1984

Honorable T. H. Bell
Secretary of Education
Washington, D.C. 20202

Dear Mr. Secretary:

In accordance with the requirements of Section 5 of the Inspector General Act of 1978 (P.L. 95-452), I am submitting this semi-annual report on the activities of the Department's Office of Inspector General for the six-month period ending March 31, 1984.

The Act requires that you submit this report, along with any comments of your own, to appropriate Congressional committees and subcommittees within 30 days.

Our audit and investigative activities continue to provide the Department with significant results. Costs questioned or recommended for disallowance on audit reports issued this period amounted to $34 million. Investigations of wrongdoing have led to 68 indictments and 53 convictions. These and other accomplishments are highlighted in the Executive Summary which begins on page i.

Finally, let me express my appreciation for the cooperation demonstrated by you and other ED officials as we work together to strengthen the integrity and efficiency of the Department's programs and operations.

Sincerely,

James B. Thomas, Jr.

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

EXECUTIVE SUMMARY

This is the eighth semi-annual report issued by the Department of Education (ED) Office of Inspector General (OIG) pursuant to the provisions of the Inspector General Act of 1978 (P.L. 95-452). The report summarizes the activities and accomplishments of the OIG during the six-month period ending March 31, 1984. Reporting requirements mandated by the Act are indexed in this report on page V-1. Following is a brief summary of activities this period.

- We issued or processed a total of 1,543 audit reports on ED operations, grantees and contractors. These reports recommended disallowance of costs totaling $10.7 million and questioned additional costs of $23.3 million (page I-2). The reports also identified a number of opportunities for improvement in ED programs by Federal officials, State and local education agencies and others (page I-3).

- In audits resolved this period, a total of $22.5 million, or about 47 percent, of the $48.2 million recommended for disallowance or questioned was sustained by program managers. During the resolution process, program managers identified additional amounts which should be recovered, bringing the total amount recoverable to $29.4 million. Actual audit-related recoveries this period totaled $3.5 million (page I-18).

- OIG opened 372 investigative cases and closed 266. OIG investigations resulted in 68 indictments and 53 convictions. Fines and restitutions amounted to $558,000. In addition, investigative activities resulted in recoveries of $246,000 (page II-1).

- During this period, significant emphasis was again placed on management improvement activities. These activities - highlights of which are described in Chapter III - include efforts to assist management in improving the operation of the Department's programs and activities.

Following are examples of significant activities this period.

- In an OIG audit of regional service centers in one State, we identified a total of $1.3 million in unallowable indirect cost claims. Of the total amount recommended for disallowance, $854,000 consisted of charges improperly applied to pass-through funds and improperly computed indirect cost

rates. We also recommended that the State establish and strengthen its management and control procedures for Federal funds awarded to the centers (page I-4).

- In our review of loans made under the College Housing and Academic Facilities Loan programs, we found at four institutions that security for such loans was questionable and that, as a result, ED may be unable to recover $10.5 million loaned to the institutions in the event of default or foreclosure. We recommended improvements in loan security and controls to protect ED's interest in these loans (page I-11).

- Overpayments in the Guaranteed Student Loan program declined from over $51 million in 1982 to $1.2 million during a six-month period in 1983. This decrease was directly attributable to the program office's implementation of the corrective actions that we recommended in an audit last period (page III-2).

- As a result of a previous audit which helped alert program officials to possible weaknesses in one State's determination of migrant child eligibility, ED this period reduced migrant education funding to the State by $3.5 million. Our audit disclosed that the State had inappropriately determined the percentage of migrant children for funding purposes and, in some cases, maintained inadequate records documenting eligibility (page III-2).

- As of the close of this reporting period, a total of 36 individuals had been indicted and 15 convicted in connection with a scheme which involved the filing of false school admission and loan documents at four neighboring colleges. Components of the local police, State bureau of investigation and military police cooperated with the OIG in this investigation which revealed that a large, loosely knit gang had been systematically defrauding the Guaranteed Student Loan program (page II-3).

- During March 1984, the Civil Division of the U.S. Department of Justice filed a civil suit against an institution for $1.6 million. The filing was made as a result of a joint OIG/FBI investigation which revealed that the institution's owner had filed false claims for student financial aid between 1976 and 1980. The owner has been indicted but remains a fugitive (page II-4).

- In January 1984, the former accountant of a community college was convicted on State charges of theft. The subject, who had been previously indicted in March 1983 and pleaded not guilty, embezzled approximately $72,000 from the college student loan collection account (page II-4).

- During November 1983, the owner of a collection agency was indicted on multiple counts of mail fraud and embezzlement. The agency had been retained by a number of colleges to service student loan collections and our investigation determined that approximately $360,000 had been collected but not credited to the college collection accounts. The subject pleaded guilty under the terms of a plea agreement and was sentenced in February 1984 to two years' imprisonment, three years' probation and ordered to make full restitution (page II-5).

CHAPTER I

AUDIT ACTIVITIES

A. INTRODUCTION

Audit activities during this period continued to identify substantial opportunities for improving the economy, efficiency, and effectiveness of programs administered by the Department and its recipients. Our audit reports also included numerous recommendations directed toward recovering Federal funds which were not expended in accordance with program requirements.

Summary statistics and highlights of major audits and related activities are presented in the following sections.

B. SUMMARY STATISTICS

Following are significant audit statistics for this six-month period:

Reports Issued/ Processed	1,543
Recommended Costs Questioned/Disallowed (in millions)	$34.0
Recommended Costs Questioned/Disallowed Sustained (in millions)	$22.5*
Potential Cost Avoidance (in millions)	$ 3.5
Actual Cost Avoidance (in millions)	$ 1.9
Recoveries (in millions)	$ 3.5

*Does not include an additional $6.9 million identified by management during the audit resolution process.

In reference to the preceding table, costs recommended for disallowance represent Federal funds which were not spent in accordance with the terms of the respective grant or contract. Costs questioned are those Federal funds which, in the judgment of the auditor, are not adequately supported to demonstrate the allowability of the costs. Costs avoided are those costs which the OIG estimates can be saved as a result of management's commitment to implement audit report recommendations. Of these, potential costs avoided relate to findings upon which management has not yet acted; actual costs avoided relate to findings upon which management has acted.

Following is a schedule by operating component showing audit reports issued or processed by OIG and related costs recommended for disallowance or questioned.

SCHEDULE OF COSTS DISALLOWED/QUESTIONED
BY OPERATING COMPONENT
(Dollars in Millions)

Action Office	Number of Reports	Recommended Cost Disallowances	Costs Questioned
Postsecondary Education	1,376	$ 3.1	$ 8.9
Assistance Management and Procurement Service	108	3.5	2.3
Elementary and Secondary Education	17	1.7	.5
Office of Management	8	-	10.4
Other	34	2.4	1.2
TOTALS	1,543	$10.7	$23.3

Some of the more significant audits in these program areas are described in the highlights section of this chapter.

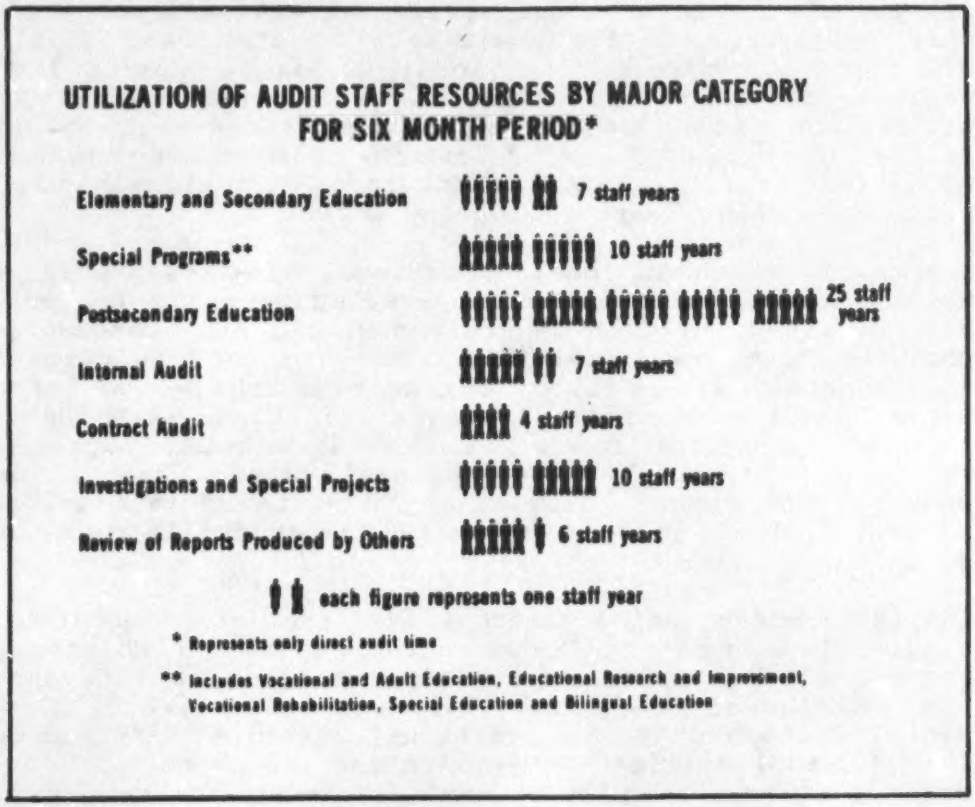
Audit reports issued this period represent both those audits completed by our own staff and those processed by us which were completed by other Federal auditors, State and other governmental auditors, and independent public accountants. Following is a schedule showing the sources of all reports issued or processed and costs recommended for disallowance or questioned by Federal or non-Federal audit groups.

SOURCE OF AUDITS ISSUED
(Dollars in Millions)

	Number of Reports	Recommended Cost Disallowances	Costs Questioned
Federal Auditors			
ED-OIG	80	$ 8.1	$14.1
Others	36	.1	.5
State and Other Non-Federal Auditors	150	.1	3.3
Independent Public Accountants	1,277	2.4	5.4
TOTALS	1,543	$10.7	$23.3

C. ALLOCATION OF AUDIT RESOURCES

During this six-month period, ED-OIG resources were utilized to provide audit services to major Departmental programs and activities as depicted below.


UTILIZATION OF AUDIT STAFF RESOURCES BY MAJOR CATEGORY
FOR SIX MONTH PERIOD*
Elementary and Secondary Education
7 staff years
Special Programs**
10 staff years
Postsecondary Education
25 staff years
Internal Audit
7 staff years
Contract Audit
4 staff years
Investigations and Special Projects
10 staff years
Review of Reports Produced by Others
6 staff years
each figure represents one staff year
* Represents only direct audit time
** Includes Vocational and Adult Education, Educational Research and Improvement, Vocational Rehabilitation, Special Education and Bilingual Education

The allocation of our audit resources in these areas continues to be effective in recovery of costs recommended for disallowance and questioned. Efforts in these areas also continue to provide ED management with recommendations for correcting underlying conditions contributing to the problems noted, thereby preventing unnecessary future costs as well.

D. HIGHLIGHTS OF SIGNIFICANT AUDITS

The following examples highlight some of the more significant findings contained in audit reports issued this period by the OIG. The examples, grouped by major program areas within the Department, discuss a wide range of areas needing improvement in the administration of ED programs and activities by State and local governments, educational institutions, profit and nonprofit organizations, and Departmental headquarters and regional offices.

1. Elementary and Secondary Education

Major program areas administered by the Office of Elementary and Secondary Education include, among others: (1) assistance in operating programs for educationally disadvantaged children, (2) assistance to meet the special educational needs of migratory children, and (3) assistance to State and local school districts to improve educational quality. Grants for disadvantaged and migratory children are authorized under Chapter 1 of the Education Consolidation and Improvement Act of 1981 (ECIA) (formerly, Title I of the Elementary and Secondary Education Act). Grants to improve educational quality are authorized under Chapter 2 of the ECIA.

Chapter 1 grants to local educational agencies provide Federal assistance for planning and operating programs for educationally deprived children in areas having a high concentration of children from low-income families. For school year 1983-84, approximately $2.7 billion was awarded and passed through the State departments to local educational agencies to develop and implement projects to fulfill the intent of Chapter 1. In addition to these local educational agency grants, Chapter 1 provides for Federal assistance to State educational agencies to meet the special educational needs of children of migratory workers.

Chapter 2 consolidated numerous education grant programs into a single block grant to States. The purpose of Chapter 2 is to improve elementary and secondary education in accordance with the educational needs and priorities established by participating State and local educational agencies. For school year 1983-84, $451 million was awarded for the Chapter 2 State block grant program. Our audit work included reviews of programs previously authorized by the Emergency School Aid Act and now included under Chapter 2. The Emergency School Aid program was designed to provide assistance to local educational agencies for reducing minority-group isolation in schools.

We issued 17 reports on programs in elementary and secondary education during this reporting period. Major findings and recommendations from these reports are summarized in the paragraphs that follow.

a. Indirect Cost Claims of $1.3 Million Recommended for Disallowance

In one State, we reviewed the costs of selected regional service centers that provide accounting, payroll and student information data processing to local educational agencies. The centers may also provide instructional resources. Funds for their support come from both Federal and non-Federal sources.

Our review revealed a need to establish and strengthen the management and control procedures for Title I, handicapped and bilingual education grant funds awarded to the centers. We identified instances of unallowable and overstated indirect costs and found that program grant funds were improperly used to fund general administrative activities. In total, we recommended that $1.3 million be disallowed and returned to the Federal government, and questioned $191,000.

Specifically, we found unallowable indirect cost claims of about $854,000 due to improperly applied charges to pass-through funds and indirect cost rates that were not computed according to applicable guidelines. At one center, we also identified claims of $269,000 for rental, telephone and data processing expenses that were unallowable. We also recommended that Statewide procedures be improved for accounting for and reporting administrative costs.

In its response to the report, the State generally disagreed with our findings, conclusions and recommendations for refunds. Subsequent to this response, however, the State initiated a review of indirect cost rates at all of the centers. As a result, the State recomputed the indirect cost rates for fiscal years 1983 and 1984. The recomputed rates were substantially lower than those originally calculated by the State, and were generally consistent with the lower rates computed and reflected in our audit report. This action will result in cost avoidance of $1.9 million for fiscal years 1983 and 1984.

b. <u>$892,000 Charged to Title I Programs for Unallowable Travel and Conference Costs</u>

Our audit work in one State disclosed that $892,000 in Title I funds was improperly spent for travel and conferences. Title I regulations allowed grant funds to be expended for travel and conferences only when these funds were expended for purposes directly related to the program. In addition, regulations required that to be allowable, costs had to be necessary and reasonable for the proper and efficient administration of the grant program.

Examples of costs we recommended for disallowance included those for field trip activities which were primarily recreational in nature, such as trips to park sites, movie and television studios, a baseball game, and a wax museum. Conference costs were recommended for disallowance if they were incurred for meetings held for general purposes not specifically related to Title I. For example, we recommended disallowance of costs for conferences directed to such topics as crime and violence, bilingual education and "unity in diversity."

We recommended that $892,000 be returned to the Federal government and that the State establish appropriate criteria to ensure that travel and conference costs claimed under Title I (now Chapter 1) are allowable. The State agreed to monitor the school districts to ensure that only allowable travel and conference costs are claimed and to provide additional policy guidance. If these actions are taken, an additional potential cost avoidance of $450,000 annually can be realized.

c. $791,000 in Title I Funds Expended for General Administrative Duties and Services to Ineligible Children

In our audits of Title I programs in one State, we found that Title I personnel had spent significant amounts of time working with ineligible children and performing general administrative tasks. Consequently, we recommended that unallowable costs of $791,000 be refunded to the Federal government.

Title I personnel - including teachers, teacher aides, community aides, and liaison officers hired with Title I funds - were required to work with the target population of disadvantaged children. In one school district, however, we found that Title I was overcharged by $246,000 for time spent by community aides and liaison officers providing services to ineligible children. In another school district, we found that the program was overcharged by $545,000 for time spent by teachers, teacher aides, and community aides on services not related to the Title I program. In many instances, this time was spent on general health and social services functions that were not designed to address the unique, identified needs of the program participants.

In addition to the recommended refunds, we also recommended that allowable activities for personnel working with Title I (currently Chapter 1) programs be clarified, and that future activities performed be limited to allowable activities with eligible children.

d. Emergency School Aid Funds Used for Unauthorized Activities

Our review of the administration of the Emergency School Aid program in one school district disclosed that program grant funds were improperly spent on activities outside the scope of the approved project.

We found that $228,000 in program funds was used by the school district to pay for salaries, fringe benefits, travel and other items not included in the approved project. An additional $132,000 was improperly spent on a project component for services outside the scope of the approved project. We

identified additional improper expenditures for unauthorized grant activities, prior year grant funds that were carried over without required ED approval, and unobligated funds originally awarded for planning activities that were never conducted.

Our report recommended that the district refund $555,000 to the Federal government. In addition, we recommended that accounting and administrative controls be established to assure that ED funds are spent on appropriate, intended activities.

2. Special Education and Rehabilitative Services

Over $2.1 billion in education funds is currently authorized to provide services to educate handicapped children and to help handicapped persons become gainfully employed. The Assistant Secretary for Special Education and Rehabilitative Services administers these funds through grants and contracts to a diverse group of entities that includes State and local agencies, private profit and nonprofit organizations, and institutions of higher education. Programs authorized by the Education of the Handicapped Act, currently funded at approximately $1 billion, assist States in expanding and improving programs and projects designed to provide a free appropriate public education to all handicapped children.

Programs authorized by the Rehabilitation Act of 1973, also funded at about $1 billion, provide rehabilitation services to help the handicapped - especially the severely handicapped - become gainfully employed. Regional offices of the Rehabilitation Services Administration coordinate the administration of vocational rehabilitation programs.

During the six-month period, 12 audits were issued in this program area. Major findings and recommendations from these reports are summarized in the paragraphs that follow.

a. Over $1 Million in Lapsed and Improperly Spent Handicapped Education Funds Recommended for Disallowance or Questioned

During our audit of handicapped education funds in one State, we identified a total of $451,000 that was unobligated after the period of availability, including an amount that had been reallocated to selected local educational agencies in the State. Under the Tydings Amendment (Section 412(b) of the General Education Provisions Act) and applicable Department guidelines, Federal funds to educate handicapped children are available for 27 months, including a carryover period of one fiscal year. Funds remaining unobligated at the end of this period must be returned to the Federal government. In response to the audit report, the State refunded $314,000 to the Federal government. We further recommended that the State refund an additional amount of $137,000 unobligated by the local districts prior to the end of the availability period.

We also found that $138,000 of the funds designated for handicapped children had been used to purchase equipment not specifically obtained to benefit the special needs of these children, and recommended that these funds be returned to the Federal government. Our audit further disclosed that the accuracy of the child count used to generate the funding allocation in one school district could not be verified by available records, and that proper salary distribution to several activities in another district could not be verified by available documentation. As a result, our report questioned costs of $432,000. We also recommended that the State improve its procedures to monitor Federal expenditures. The State has already agreed to conduct site visits to the districts to follow up on these matters.

b. Disallowance of $1.6 Million Recommended in Audits of Rehabilitation Services

In audits this period of rehabilitation services programs administered by two States, we recommended that a total of $1.6 million be refunded to the Federal government. In one State, we found that the grantee had not adequately monitored and controlled its manual accounting and reporting systems. We found that expenses for vocational rehabilitation had been overstated for several periods due to problems with the State's accounting system. Consequently, we recommended that the State refund $1.1 million. In addition, we recommended that the State maintain controls over its manual accounting system to ensure the timely and accurate recording of future accounting data. As a result, cost avoidance of $116,000 was realized when the State amended its financial report to accurately reflect grant expenses.

In our audit of the other State, we found that payments had been made for ineligible clients and unallowable maintenance costs. Program requirements permit such payments only for basic living expenses necessary to allow clients to benefit from other rehabilitation services they are receiving. We recommended a refund of $501,000, along with a number of management improvements.

3. Vocational Education

The goal of the vocational education program, administered by the Office of Vocational and Adult Education, is to prepare students at the secondary and postsecondary levels for occupations not requiring a four-year college degree.

The intent of the program is that individuals have access to vocational training suited both to their needs and to the requirements of available job opportunities. Particular emphasis is placed on meeting the needs of the disadvantaged

and handicapped through special programs and services that will enable the participants to succeed in regular vocational education programs. The fiscal year 1983 appropriation for vocational education was $729 million, including $665 million for State grants and innovative programs. During this reporting period, we issued three reports on State vocational education programs, two of which are discussed below.

Compliance with Maintenance of Effort Requirement Could Not Be Tested Due to Inadequate Records

Audits in two States this period disclosed that the States could not provide adequate documentation to demonstrate that the maintenance of fiscal effort requirement was met. For each year that it receives Federal funds for vocational education, a recipient is required to spend an amount of State and local funds at least equal to the amount it spent in the preceding fiscal year.

In one State, we found that the necessary level of vocational education funding could not be determined due to incomplete and inaccurate cost data. In some districts, certain non-Federal vocational education costs were excluded from the computation of the level of fiscal effort. In other districts, some non-vocational education costs were improperly included. As a result, $41.3 million of Federal funds awarded during the audit period could not be tested for compliance with the maintenance of effort requirement. In another State, $5 million could not be tested because the State did not obtain expenditure reports necessary to assure that maintenance of effort requirements were met by its subgrantees.

We recommended that each State submit the appropriate documentation to demonstrate compliance with the maintenance of effort requirement or refund amounts for which compliance cannot be documented.

4. Postsecondary Education

The Office of Postsecondary Education administers programs of financial assistance to students and to institutions, providing aid in the form of grants, direct loans, interest on loans, loan guarantees and earnings through work-study programs. Currently, some 8,000 postsecondary institutions participate in these programs. In fiscal year 1983, programs of postsecondary education accounted for $7.2 billion of the Department's appropriation, making this the largest program area in ED.

During the six-month period covered by this report, the OIG issued or processed 1,377 audit reports addressing post-secondary education programs, the bulk of which concerned programs of student financial assistance (SFA). In addition to

audit work involving the SFA programs, the bulk of OIG's investigative workload is comprised of cases in this area. (Refer to Chapter II of this report for more information.)

a. $679,000 Provided to Students Not Enrolled in Eligible Programs; $174,000 Provided to Students Not Making Satisfactory Academic Progress

We completed audits of five institutions in which we found that ED Pell Grant and Campus-based program funds were awarded to students who were not enrolled in degree or certificate programs. Four of the audit reports were issued during this reporting period and the fifth was issued in April 1984. A report with similar findings on a sixth school is in progress.

Program regulations define an eligible program as one which leads to a degree or certificate, or one which is at least two years long and is accepted for full credit toward a bachelor's degree. Some of the students at these institutions had not been accepted for enrollment in an eligible program, but instead were enrolled in English as a Second Language, developmental courses, or continuing education courses.

In the five audits completed, we recommended that the schools return $679,000 to Federal SFA accounts and discontinue awarding such aid to students who are not enrolled in eligible programs. We believe that the conditions found relating to student eligibility may exist at other schools, and we plan to look into the nationwide implications of this problem.

In addition, we found that one of these five schools improperly awarded $174,000 of SFA funds to students who were not making satisfactory academic progress and who therefore were not eligible to receive the funds. We recommended that the institution refund $174,000 to the Federal government.

b. Significant Problems on Campus-Based Funding Applications at Two Schools Cause Possible Overawards of Almost $1.4 Million

Our audits of two institutions disclosed that their applications for funds under the Campus-based programs included inaccurate or unsupported data. As a result, we questioned $967,000 of the funding at one institution and ED reduced the award at the second institution by $385,000.

An institution participates in the Campus-based programs by annually submitting to the Department an application entitled "Fiscal Operations Report and Application to Participate in Federal Student Financial Aid Programs," commonly referred to as FISAP. In one audit, we found that the FISAPs for certain award years included inaccurate and unsupported data. Specifically, the institution could not provide supporting

documentation for its classification of students by income in its application for 1979-80. Further, its 1981-82 application showed that eleven percent of the students had been included in the wrong income categories. In addition, some key data elements used in the allocation formula - such as enrollment figures - were overstated while others were understated. As a result, we questioned $967,000 of the 1980 award until the institution submits revised FISAP forms and the Department can determine the appropriate revised funding figures.

In the second audit, which was resolved during this period, we found that the institution did not classify students in proper income categories in its applications for the 1982-83 and 1983-84 award years. We recommended that the school submit revised applications and emphasize accuracy in the preparation of future applications. On the basis of the revised applications which the school submitted subsequent to our audit, the funding level under the National Direct Student Loan program for the 1982-83 award year was reduced by $385,000.

c. Recommended Refund of $917,000 Due to Deficiencies in Administration of Title III Program

Title III of the Higher Education Act was enacted to assist selected institutions of higher education to strengthen and develop their academic quality, administrative capacity and student services. Our audit of the Title III program at one institution disclosed that the institution's administration of the program had serious financial and management deficiencies. We recommended that the institution refund $917,000 identified in the audit as unallowable.

In our audit, we found, specifically, that $352,000 out of $782,000 in required non-Federal matching funds for salaries, wages and fringe benefits had not been provided under the 1979-81 grant. Our audit also disclosed that the institution had used $338,000 in Title III funds to supplant State-required activities of developmental skills and testing and guidance. Additional recommendations in our report brought the total recommended refund to $917,000.

d. Improvements Needed in ED's Administration of the College Housing and Academic Facilities Loan Programs

The College Housing Loan program was established by Congress in 1950 to provide long-term, low-interest loans to educational institutions for student and faculty housing. The program was later broadened to include financing of other facilities such as student centers, health centers and dining halls. The Academic Facilities Loan program was enacted to provide financing to institutions for the construction of facilities such as classrooms and libraries.

Our audit of ED's administration of these programs revealed numerous weaknesses in the areas of (1) billing and collection, (2) loan security and controls, (3) program regulations, (4) staff utilization, and (5) audit and inspection fees.

In our audit, we found that the original documents necessary to initiate billing and collection of loans were not always provided by ED to its fiscal agent, the Federal Reserve Bank (FRB). Of the 111 loans we reviewed, 21 original loan documents, totaling $19.6 million, were in ED files and six original loan documents could not be located. We recommended that a complete inventory of loans be developed by a three-way match among ED's program and finance officials and the FRB.

We also identified improvements needed in loan security and controls to protect ED's interest in these loans. For example, we noted that security for loans at four institutions was questionable, with the result that ED may not be able to recover the $10.5 million loaned to these institutions in the event of default or foreclosure. We recommended that ED adopt procedures to require inspections and appraisals prior to loan closing, representation by legal counsel at loan closings, and assurance that it has a first mortgage position.

We noted further that institutions are not required to establish that a severe housing shortage exists at the time a loan is made, nor do they have to begin construction within a specified period after they have received a loan reservation from ED. At one institution, for example, changing conditions indicated that a housing shortage which existed at the time of the loan reservation no longer existed at the time the loan agreement was executed. At another institution, funds had been obligated for over three years before the institution began construction. We recommended that ED regulations and loan agreements be revised to address these adverse situations.

We also found that the program office had adopted a collection procedure for delinquent and defaulted loans which resulted in its staff concentrating their efforts on about five percent of the outstanding loans. While these efforts resulted in the collection of about $5 million in 1982, the emphasis on collecting delinquent and defaulted loans had precluded efforts by the staff to identify and provide technical assistance to institutions with a high default potential. We recommended that the program office undertake such efforts.

Regarding the audit and inspection fees, when the College Housing program was transferred from the Department of Housing and Urban Development (HUD) to ED, OMB instructed HUD to also transfer the fees which it had previously collected on each loan. These fees would be used to pay for project site visits by ED staff. The transfer was never made and, at the time of

our review, very limited attempts had been made by ED to initiate such a transfer. We estimate that the fees could range from about $1.6 million to $4.9 million. We recommended that ED formally request the fees from HUD.

ED program officials generally agreed with our recommendations and stressed that management had been aware of some of the problems before the audit and initiated corrective action. The actions taken or planned were generally consistent with our recommendations.

e. Deficiencies in Administration of ED Funds Results in Questioned Costs of $2.5 Million

An audit by an independent public accountant (IPA) of a school's administration of Pell Grant and Campus-based program funds over a five year period, resulted in questioned costs of $2.5 million.

Due to the absence of sufficient records and documents, the IPA was unable to assure that the funds were expended in accordance with the compliance requirements of the programs. One example was the institution's documentation of student enrollment, attendance and good standing. Although the school uses student registration cards to provide such documentation, in the IPA's sample of 236 students in the Pell Grant program, 148 of the registration cards could not be located.

Limited documentation was also a problem in the Campus-based programs. With regard to the National Direct Student Loan program, the IPA found that the school did not use any form of collection procedures or exit interviews and failed to comply with other aspects of the program's due diligence requirements.

5. Internal Audit

The OIG conducts internal audits of ED organizations and their administration of the Department's programs and operations. These audits provide ED management with important recommendations for improving economy, efficiency and effectiveness in the operation of the Department, and ensure that program benefits are maximized. Internal audits comprise a major part of the OIG's mission. Several of the more significant of these are described below.

a. Education Appeal Board Unable to Handle Caseload in a Timely Manner

The Education Appeal Board was established in 1978 under amendments to the General Education Provisions Act. One of its principal functions is to hear appeals of final audit determinations. Our review of the Board's activities showed that it

is not closing such appeals in an expeditious manner. We also found that weaknesses in Departmental policies and procedures resulted in delays in the collection of audit-related debts and loss of interest that would have accrued during the appeals process.

Specifically, we noted that in April 1983, there were 52 audit disallowances totaling nearly $48 million under appeal. Of these, 42 disallowances totaling $30 million were awaiting initiation of the appeals process. Twenty-five of these cases had been in this category for over one year, while one of the cases was over four years old. In addition, all of the ten cases currently being heard had been under appeal for at least one year; four had been under appeal for almost four years.

We also reviewed 25 cases on which an initial decision had been made and found that the average time from the appellant's request for an administrative hearing until an initial decision by the Board was 36 months, with a range of from 14 to 63 months. A recent GAO report indicated that Federal agencies reviewed took an average of only 18 months to conclude an appeal.

We found that the primary cause of delays in initiating cases was inefficient utilization of Board members, while the primary cause of delays in case proceedings was the practice of permitting appellants to file what appeared to be insubstantial motions and to seek filing extensions. We recommended, therefore, that action immediately be taken to improve caseload management practices in the areas of unassigned and underutilized members. We further recommended that, during each panel's orientation, the panel be reminded to exercise its authority to avoid delays from insubstantial motions and extensions of filing deadlines.

A secondary cause of the delays, we found, is the Department's current policy of not charging interest on audit-related debts while allowing the grantee to retain the disallowed costs during the appeals process. OMB Circular A-50 states, "Interest on audit-related debt shall begin to accrue no later than 30 days from the date the auditee is notified of the debt. To discourage unwarranted appeals, interest shall continue to accrue while an appeal is underway." We computed the monetary effect of the Department's failure to charge interest on audit-related debt while it is under appeal, and determined that since September 29, 1982, the Department could lose over $6.3 million in interest on audit debts of $47.6 million. This amounts to over $15,000 per day. We have endorsed proposed Departmental regulations that would permit charging interest on audit-related debts and recommended that they be implemented as soon as possible.

b. Excess Cash Balances at Two States Cost Federal Government Over $700,000 in Interest During One Quarter

Two audits of cash advanced through the Letter of Credit System disclosed that procedural requirements at the State level resulted in excess cash balances from drawdown of funds prior to the actual disbursement of the cash to pay State warrants. As a result, during the fourth quarter of calendar year 1982 alone, the Federal government incurred interest costs of over $700,000. We recommended that the States modify their procedures for requesting Federal funds by instituting a technique which would better minimize Federal cash on hand.

We also found that local educational agencies (LEAs) had substantially more cash on hand than needed to meet current expenses. This was because the State education agencies had not developed a system to make cash advances to LEAs as needed for immediate cash requirements. In one State, LEAs were advanced cash on a monthly basis based on prior years' reported expenses. Based on this procedure, the LEAs had at least one month's supply of cash in excess of their immediate needs. In another State, the LEAs received funds through various disbursing methods - none of which appeared to be based on need. We recommended that the States establish procedures to reduce the level of excess cash on hand.

In the course of our review, we found also that a State agency had charged, through retroactive adjusting entries, $10.4 million to ED grants after the period of fund availability had expired. We recommended that the State refund the $10.4 million or provide documentation to show that the retroactive charges were valid.

c. Teacher Corps Contract Results in Products of Little Use

The Higher Education Act established the Teacher Corps program to train teachers to be more effective in teaching children in low income areas. To determine whether the program was being properly implemented and whether its desired objectives were being achieved, the Office of Teacher Corps awarded a $2.9 million contract to evaluate the entire program.

As the contract neared completion, our office received allegations from Department personnel regarding poor performance under the Teacher Corps contract. We reviewed the allegations and associated circumstances and found that while the evaluation contract required four reports to be delivered by the contractor, three of those reports did not fully conform to the deliverables required by the contract.

Based on our audit, we believe that a variety of factors contributed to the poor contractor performance. They were: (1) Three ED program offices delayed reaching the decision not

to exercise the option for years four and five, and delayed redirecting efforts for more efficient use of the time and funds remaining under the contract; (2) the contractor's performance deviated from that required by the contract; (3) the project office allowed the contractor to deviate from the contract; (4) the contracting officer modified the contract without specifying the contents of the deliverables; (5) the type of contract awarded only required that the contractor use best effort; and (6) one of the program offices did not submit comments on three of the contractor's draft reports.

Our audit concluded that the Department spent approximately $2.9 million for an evaluation which has been of no discernible use to it. Recommendations in our report addressed each of the findings noted above and included steps that we believe will reduce the future occurrence of similar situations.

d. Review of Accounts Receivable Report Discloses Material Deficiencies

Treasury Bulletin No. 82-18 requires that each agency periodically submit a report on the status of accounts and loans receivable due from the public. This report, known as the Schedule 9, is prepared quarterly and at the end of the fiscal year. During this period, we reviewed that portion of the report dealing with accounts receivable resulting from audit findings. A total of $113 million was reported in such accounts on the Schedule 9 dated September 30, 1982.

In our review, we found that the Department's automated accounts receivable system had produced inaccurate reports and had, therefore, proven to be unreliable as a source of information. Consequently, the Department had prepared the Schedule 9 based on a manual recordkeeping system. We also found weaknesses in the manual system, however - it lacked a complete audit trail, did not include all receivable transactions, and contained clerical errors. We concluded that because of deficiencies in the manual recordkeeping system, the Schedule 9 report did not fairly present the status of accounts receivable resulting from audit findings in conformity with generally accepted accounting principles.

We recommended that the Department correct the inaccurate information in the automated accounts receivable system and improve the audit trail of the manual recordkeeping system. As a result of our report, the Department has made significant improvements in its manual recordkeeping system and implemented numerous recommendations made in our audit report. The Department is also in the process of developing a new automated accounts receivable system.

e. Favorable Progress Made in Improving Management of Consulting Services

The Supplemental Appropriations and Rescission Act of 1980 requires that our office submit annually to Congress an evaluation of the Department's progress in implementing effective management controls over consulting services and improving the accuracy and completeness of contract data reported to the Federal Procurement Data System.

Based on our audit this period, we concluded that the Department has made significant progress in improving management of consulting service contracts and reporting required data to the Federal Procurement Data System. However, the Department has not met all of the OMB requirements nor fully implemented its plan which was submitted to OMB on August 1, 1980.

We made several recommendations to resolve the remaining deficiencies. In addition, we recommended that the Department establish a timetable for implementing the corrective actions so that its progress to meet OMB's requirements could be effectively monitored.

E. AUDIT RESOLUTION AND RECOVERY OF FUNDS

1. Resolution of Audit Reports

At the end of this reporting period, there were two unresolved audits over six months old. These two reports involve complex issues that have been the subject of repeated discussions among the Office of the General Counsel, program managers and the OIG. It is anticipated that resolution of these issues will have an impact on the resolution of future audits as well. Together, these two audits contain costs recommended for disallowance or questioned of $6.5 million. In addition, there are several other reports for which resolution is being held in abeyance pending the completion of additional audit work.

On another front, the OIG continues to work closely with ED management in the development of necessary training for audit resolution personnel. At the present time, for example, the OIG is developing a seminar for the purpose of providing ED personnel with additional insight into the handling of the single organization-wide audits prescribed by OMB Circulars A-102 and A-110. The OIG is also working with ED management to develop a formal training session to assist in the resolution of those organization-wide audits.

In addition, the Department has established a forum to provide opportunity for the sharing of ideas and experiences among the various offices involved in audit resolution. This forum has served to improve understanding among these offices of their

different roles in the audit resolution process and of the unique concerns and problems that each faces. The forum has several initiatives currently under way which, when concluded, will facilitate the timely resolution of audits by the Department.

The table below depicts audit resolution activity for the period by major action office. As expected, the Office of Postsecondary Education had the greatest activity due to the hundreds of audit reports received each year on postsecondary institutions participating in the Department's student aid programs.

AUDIT RESOLUTION ACTIVITY
October 1, 1983 to March 31, 1984

Action Office	Unresolved Audits on Hand as of October 1, 1983	Unresolved Audits on Hand as of March 31, 1984
Postsecondary Education	912	631
Assistance Management and Procurement Service	97	49
Special Education and Rehabilitative Services	5	8
Elementary and Secondary Education	8	7
Educational Research and Improvement	8	3
Vocational and Adult Education	7	5
Management	-	2
TOTALS	1,037	705*

*Does not include 21 reports being held for additional audit work.

The 705 audits remaining unresolved at the end of this reporting period contain costs recommended for disallowance or questioned of $43.3 million. An additional $36 million in costs recommended for disallowance or questioned is contained in 21 audit reports being held pending the completion of additional audit work.

2. Resolution and Recovery of Disallowed or Questioned Costs

A total of 1,076 audit reports were resolved during this six-month period. ED management sustained $22.5 million, or about 47 percent, of the $48.2 million in costs recommended for disallowance or questioned in these reports. Management officials identified additional amounts for recovery during the resolution process, bringing the total recoverable to $29.4 million. Finally, amounts recovered this period on resolved audits totaled $3.5 million.

F. STATUS OF PRIOR AUDIT RECOMMENDATIONS

As of the end of this reporting period, all recommendations included in our previous semi-annual report had been resolved with the following exception.

Postsecondary Education

$2.7 Million Questioned as a Result of School's Failure to Comply With Due Diligence Requirements (Page I-8 in Prior Report)

This audit of a postsecondary institution disclosed that the school had failed to exercise due diligence in attempting to collect on loans in default under the National Direct Student Loan program.

Status: Although a final letter of determination had not been issued as of March 31, 1984, the letter was issued in April and calls for the repayment of $2.7 million.

G. OTHER AUDIT MATTERS

1. Implementation of OMB Circular A-102, Attachment P

The Office of Inspector General has continued its active involvement in the implementation of the single audit concept as prescribed by OMB Circular A-102, Attachment P. Several new initiatives within the OIG have furthered progress toward meeting our goal of gaining assurance that all State and local entities for which we are cognizant are working toward achieving full compliance with the single audit requirements presented in the OMB Circular.

The Department of Education has been specifically designated by name by OMB as the cognizant agency for four States and 111 various State and local agencies. Our continuing efforts to work with these organizations to encourage implementation have resulted in significant progress. One State has completed a review of each of its departments and divisions and has issued a Statewide report. The other three States have completed roughly half of their component reviews and expect to issue their complete reports later this year. In addition, 87 percent of the State agencies and 86 percent of the local entities have begun efforts to implement the single audit requirements. Our goal remains to assure that all entities for which we are cognizant continue to progress toward full compliance.

During this period, the OIG expanded the activities of the single audit steering committee, established in August 1983, by including participation of the Regional Inspectors General for Audit to assure that OIG policies and procedures address the

Attachment P implementation problems encountered at the State and local entities. Among the activities of the single audit steering committee have been: a single audit coordinators conference held to consider current issues and discuss recent OIG single audit policies and procedures; the establishment of a mechanism for communicating the numerous issues which arise concerning Attachment P cognizant agency responsibilities; and the conduct of periodic teleconferencing to discuss issues. In addition, the OIG has intensified its efforts to gain cooperation of Departmental management in communicating Attachment P requirements to education grant recipients.

During this period, a total of seven single audit reports were issued on entities for which the Department is cognizant. In addition, the OIG received six single audit reports which include coverage of education programs funds for which other Federal agencies were cognizant. During the last 12-month period, the Department received a total of 33 single audit reports providing coverage of Department of Education programs.

2. Single Audit Requirement For Postsecondary Educational Institutions

The OIG is currently working with the Office of Management and Budget, Department of Health and Human Services (HHS) and various professional organizations to finalize the proposed Attachment P to OMB Circular A-110, "Uniform Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations." The proposed Attachment P, which will apply to all nonprofit postsecondary educational institutions, requires a single audit of all Federal funds received by each institution. We are also working with OMB, HHS and others to finalize an audit guide which contains the procedures necessary to fulfill the requirements of proposed Attachment P. Both the proposed Attachment P and the proposed A-110 audit guide are tentatively scheduled for publication in the Federal Register this summer.

It appears likely that the audit requirements contained in the proposed Attachment P will be effective for the audit period ending June 1985.

Since proprietary institutions are not subject to the audit requirements of proposed Attachment P, they will be required to conduct a single audit of their Student Financial Assistance (SFA) funds in accordance with the OIG's March 1984 SFA audit guide. The audit approach and procedures contained within the new SFA audit guide are similar to those presently proposed for the A-110 audit guide.

CHAPTER II

INVESTIGATION ACTIVITIES

A. INTRODUCTION

During this period, a significant number of indictments, convictions and restitutions resulted from investigative activities. These involved owners and employees of postsecondary institutions and collection agencies, a corporation, and individual student recipients.

B. SUMMARY STATISTICS

Following are summary statistics showing results of investigation activities this reporting period:

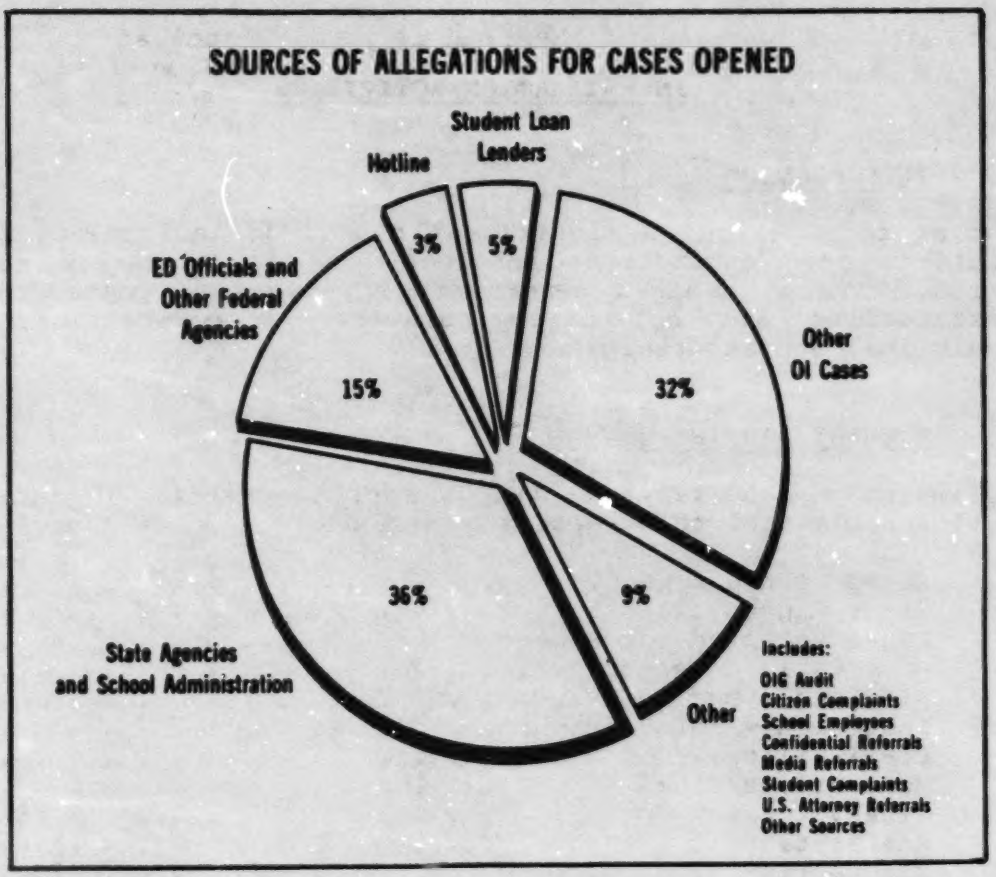
Cases Opened	372
Cases Closed	266
Cases Referred for Prosecution	181
Cases Accepted	126
Cases Declined	55
Indictments/Informations	68*
Civil Filings	1
Convictions/Pleas	53
Fines	$ 18,000
Restitutions	$540,000
Recoveries	$246,000

* Includes five pretrial diversions.

Following are summary data on the number of cases opened, closed and active for the period October 1, 1983 through March 31, 1984.

Cases active October 1, 1983	554
Cases opened this period	372
Cases closed this period	266
Cases active March 31, 1984	660

OIG receives allegations from various sources. The following chart shows a breakdown by source of allegation of OIG cases initiated during the period. As in the previous period, the majority of investigative cases opened, approximately 80 percent, involved the student financial aid programs.



C. HIGHLIGHTS OF SIGNIFICANT INVESTIGATIONS

This section provides highlights of our investigative activity this period, an update of a successful project, and summaries of other cases which have been successfully completed.

1. Guaranteed Student Loan Fraud Ring

An individual student beneficiary case was opened when an official of a community college notified us that it had received a loan application for $2,500 from a student using a false name and social security number. Subsequent investigation disclosed that a large, loosely knit gang had been systematically defrauding the Guaranteed Student Loan program.

Their scheme involved the filing of false school admission and loan documents at four vicinity colleges. Some of the gang members, many of whom have prior criminal records for such crimes as drug dealing and possession, gambling, prostitution and, in one case, murder, used false identities and made multiple loan applications. The applicants usually received loans for $2,500 or more and never attended class. Components of the local police, State bureau of investigation and military police cooperated in the investigation.

As of the close of this reporting period, 36 individuals had been indicted and 15 had been convicted.

2. Alien Project

Since 1981 we have worked closely with the Criminal Division, U.S. Department of Justice, Immigration and Naturalization Service, and the local law enforcement agencies in investigating and prosecuting aliens who have fraudulently received student aid. Our efforts continued during this reporting period and major initiatives in various geographical areas of the nation are nearing completion. Highlights of two such investigations follow:

- A married couple was indicted during March 1984, on charges of conspiracy, making false statements and passport fraud in obtaining various Federal benefits, including student financial aid. The joint investigation with the Immigration and Naturalization Service, Department of Housing and Urban Development and Department of Education established that the subjects falsely claimed U.S. citizenship to receive over $12,000 in Federal benefits. The husband is currently incarcerated and his wife is a fugitive.

- An individual who entered the U.S. illegally used false names and social security numbers to receive four guaranteed student loans totaling $10,000. The subject pleaded guilty to bank fraud during March 1984, following indictment in January.

A summary of the results of the project since its inception, including those achieved this period, is presented in the following table:

Indictments/Informations (this period)	20
" " (project total)	236
Convictions (this period)	26
" (project total)	149
Average Amount of Aid per Subject	$4,606
Total Aid Received by Indicted Aliens	$1,087,093

3. Significant Civil Filing

On March 27, 1984, the Civil Division of the U. S. Department of Justice filed a civil suit against an institution for $1.6 million. The filing was made as a result of a joint OIG/FBI investigation which revealed that the institution's owner had filed false claims for student financial aid between 1976 and 1980. The owner has been indicted but remains a fugitive.

4. Other Cases Successfully Prosecuted or Accepted for Prosecution

- In January 1984, the former accountant of a community college was convicted on State charges of theft. The subject, who had been previously indicted in March 1983 and pleaded not guilty, embezzled approximately $72,000 from the college student loan collection account.

- A former financial aid office employee was sentenced in October 1983, under the Youthful Offenders Act to five years' probation and ordered to make full restitution. The subject, indicted during July 1983, had embezzled approximately $5,000 from the school's student loan collection account.

- In November 1983, the accountant for a nonprofit organization was charged in a criminal information with the embezzlement of over $8,000 in Federal funds. The subject pleaded guilty but failed to appear for sentencing. The subject was later apprehended and sentenced to serve six months' imprisonment.

- The owner of a cosmetology school pleaded guilty in December 1983 to State charges of obtaining property under false pretenses. The subject had filed false reports to the State Board of Higher Education and the U.S. Department of Education concerning the amount of financial

aid awarded to students. The subject was sentenced to three years' probation and prohibited from being involved with the operation of a school during the probationary period.

- During December 1983, a student was placed on pre-trial diversion for a period of one year. The subject must repay $7,250 in fraudulently obtained student aid benefits during the one-year period or face criminal prosecution. The student enrolled in two schools at once and received full benefits from both.

- In January 1984, the former financial aid officer of a proprietary business college was sentenced to serve six months in prison, two years' probation and make restitution of over $3,400 in embezzled Federal student aid funds. The subject had pleaded guilty to the charge during December 1983.

- During November 1983, the owner of a collection agency was indicted on multiple counts of mail fraud and embezzlement. The agency had been retained by a number of colleges to service student loan collections and our investigation determined that approximately $360,000 had been collected but not credited to the college collection accounts. The subject pleaded guilty under the terms of a plea agreement and was sentenced in February 1984 to two years' imprisonment, three years' probation and ordered to make full restitution.

- An assistant bursar at a large city college pleaded guilty during November 1983 to charges of embezzling over $10,000 in student aid funds. The subject was sentenced in December to serve three years' probation and ordered to repay the embezzled student loan funds.

- The former financial aid director at the branch campus of a college pleaded guilty in October 1983 to charges of mail fraud and Federal student aid fraud. The subject was sentenced in November 1983 to three years' imprisonment, five years' probation and ordered to make restitution of approximately $18,000 in student aid funds converted to the subject's own use.

- A private nonprofit corporation operating a junior college agreed during March 1984 to pay almost $16,000 in fines and penalties as part of a pretrial diversion. The payment was made a condition of probation. An OIG investigation and audit established that over $65,000 in Federal student financial assistance funds was improperly used for operating expenses in 1981 and 1982. The money was later restored to the Federal accounts.

5. Update of Previously Reported Investigations

- In November 1983, after being convicted on two counts of conspiracy, an individual was sentenced to serve imprisonment of one year and one day. The individual had been charged in a 22-count indictment, in August 1983, with recruiting ineligible aliens to represent themselves as U.S. citizens in order to obtain Federal student assistance.

- In November 1983, the owner of a beauty school was sentenced to three-and-one-half years' imprisonment, and the manager of the school to two years' imprisonment, for conspiracy to defraud the U.S. Department of Education. Approximately $68,000 in Federal funds was fraudulently obtained.

- An individual, who was indicted during September 1983, pleaded guilty and is now awaiting sentencing for fraudulently receiving $5,000 in guaranteed student loans. The subject, a member of a family ring whose members were charged with similar crimes, was on parole for a similiar offense when the present offense was committed.

CHAPTER III

MANAGEMENT IMPROVEMENT ACTIVITIES

A. INTRODUCTION

The audit and investigative activity of the OIG - highlights of which are discussed in the first two chapters of this report - is not intended to be an end in itself. Rather, as stated in the Inspector General Act of 1978, the purpose of the OIG is, in part, to conduct audits, investigations and other activities to "promote economy, efficiency and effectiveness in the administration of . . . (the Department's) programs and operations."

This chapter highlights OIG activities - some of which have been discussed in previous semi-annual reports - which are resulting, or have already resulted, in tangible improvements in the management of the Department. The items highlighted below include cooperative initiatives with the Department, OIG activities in response to which ED offices have initiated effective action to address noted weaknesses, and OIG review of legislation and regulations which can result in long-term improvements in the Department's programs and operations.

B. INTERNAL CONTROL REVIEWS

During this reporting period, we continued to provide technical assistance to the Department in implementing the provisions contained in the Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123. These provisions relate to establishing, monitoring, evaluating and reporting on systems of internal controls.

This period also saw the completion of six internal control reviews in which we had participated with the Department. Our participation consisted of evaluating and testing the internal controls and preparing final reports of the reviews. These internal control reviews covered the following areas: Accounts Receivable System; Accounts Payable Subsystem; National Direct Student Loan Program (Federal Capital Contribution); ECIA Chapter 2 (Block Grants); Impact Aid (Section 3 Payments); and Guaranteed Student Loan Program (Interest Subsidies).

In addition to participating in the internal control reviews, we conducted a limited review of the Department's overall internal control review process and the reports submitted as of December 7, 1983. We coordinated our review with a concurrent review by GAO to avoid duplication of effort. The results of our review indicated that the Department's efforts to implement FMFIA were favorable, considering that this was the first year of a multi-year effort. Further, we believe that the

experience gained by the Department in the initial phases of implementing FMFIA, along with our recommendations for improvement, will benefit the internal control process in succeeding years.

Finally, with respect to Section 4 of the FMFIA, which requires an annual report on whether the agency's accounting system complies with the Comptroller General's mandates, the Department is in the process of planning a review of its accounting system. We plan to monitor its efforts in complying with FMFIA and to provide technical assistance as appropriate.

C. REVIEW OF MANUALLY PROCESSED LOAN PAYMENTS

In our last semi-annual report, we noted that a review of the Guaranteed Student Loan (GSL) program's manual interest payment system had identified internal control weaknesses that had resulted in overpayments totaling some $51 million during fiscal year 1982. Our audit report included many recommendations to strengthen internal controls in the system.

Since we conducted our review, the Office of Student Financial Assistance (OSFA) has taken effective action to implement a number of the recommendations noted in the audit report. Most significantly - as noted in an internal control review of the system - we found that overpayments had decreased during a subsequent six-month period to $1.2 million, much of which was identified as lender overbillings. This decrease in payment errors is directly related to OSFA's implementation of corrective actions recommended in our audit report.

In addition, OSFA performed a review of the GSL stop payment file for lost checks and identified 53 checks, totaling $1.5 million, where stop payments were either not filed or were filed improperly on lost GSL interest checks. Of these, 27 checks totaling $518,000 had been identified as "paid" by the Treasury, raising the possibility that duplicate payments may have occurred.

Finally, due to OSFA's implementation of improved controls over GSL manual interest payment processing, the level of penalty interest payments for late processing of interest billings decreased from $436,000 in fiscal year 1982 to $44,000 for fiscal year 1983. About $37,000 of the penalty interest paid in fiscal year 1983 pertained to fiscal year 1982 billing.

D. REDUCTION IN MIGRANT PROGRAM FUNDING

In our most recent semi-annual reports, we reported on a Statewide audit of migrant child eligibility under the migrant education program. Our audit disclosed that the State had inappropriately determined the percentage of migrant children

eligible for funding purposes and had, in some instances, maintained inadequate records of such eligibility determinations. We recommended for disallowance or questioned costs totaling more than $30 million. In addition, we recommended a number of management actions designed to improve the State's system of identifying eligible migrant children.

Our report helped alert ED officials to a potential problem for the 1983-84 school year and prompted them to preliminarily reduce the State's 1983-84 funding. The Department notified the State that the funding reduction would only be restored if the State could adequately demonstrate that the total allocation had been based upon a count that included only eligible children.

As a result of these actions, the State provided the Department with evidence of newly instituted migrant child identification policies and procedures. In addition, during this period the State completed an intensive review of the child eligibility determinations used as a basis for the 1983-84 funding allocation. This review disclosed an error rate of 4.8 percent. Accordingly, the funding reduction was adjusted to 4.8 percent, or $3.5 million, of the $73.5 million in funds generated by the original count. Thus, our audit work helped ensure that State migrant education grant funds were properly awarded to serve the eligible target population.

E. INTERIM AUDIT REPORTING

Many internal audits result in the identification of problem areas which Department officials resolve prior to completion of a final report. To effect early resolution of these problems, we have established the practice of issuing memoranda to management identifying the problem areas which warrant immediate attention. In the case described below, an ED program office took immediate action to correct the procedural weaknesses and recover program funds.

During our audit of the Guaranteed Student Loan (GSL) automated system for payment of interest to participating lenders, we informed ED program officials of the need to take more effective action to recover receivables and overpayments and improve controls and security over master file records. Alerted to these weaknesses, ED program officials immediately took the following significant actions:

-- accelerated the recovery of over $1.9 million,

-- recovered about $443,000 which was identified by the audit as unrecorded receivables,

-- requested the return of about $177,000 in outstanding overpayments,

-- limited access to master file records, and

-- improved the audit trail for changes to master file records.

F. REVIEW OF LEGISLATION AND REGULATIONS

The Inspector General Act of 1978 (Public Law 95-452), Section 4(a)(2), requires Inspectors General to review existing and proposed legislation and regulations relating to programs and operations of their Departments. Reviews are made to determine the impact of such legislation and regulations on the economy and efficiency of programs and operations financed by the Departments, and on the prevention and detection of fraud and abuse in these programs and operations. During this reporting period, we reviewed 78 legislative proposals and 108 proposed regulations.

A number of the proposals we reviewed involved matters of major concern to the OIG. Consequently, we devoted considerable time and effort this period to reviewing and developing the OIG's position relative to them. Following is a discussion of two such proposals - one legislative, the other regulatory - in which the OIG was successful in having its recommendations adopted. Also included are brief discussions of our ongoing effort in two other areas - single audit legislation and student aid regulations - which have major implications for both the operation of the Department and the work of the OIG.

1. Legislation Regarding College Housing Loan Program

An amendment to the Housing Act of 1950 was proposed last summer to give the Department statutory authority to discount for early repayment an institution's outstanding loan obligation under the College Housing Loan program. The amendment would have allowed an institution to satisfy its full debt on a housing loan by making a payment equal to 75 percent of the outstanding balance of the loan.

In our review of this proposed amendment, we noted that the proposal limited the Department's flexibility to negotiate the rate of the discount and thereby ensure that any instance of loan forgiveness would be in the best interest of the government. In our comments, we suggested that the Department be given flexibility to negotiate the rate of discount. As suggested by OIG, the proposed language finally transmitted to Congress included a requirement that any instance of loan forgiveness "be in the best interests of the Government."

This proposal - containing somewhat different language, but still preserving our intent - was introduced as an amendment to H.R. 3913, the 1984 appropriations bill for the Departments of

Labor, Health and Human Services, and Education. It became law on October 31, 1983, when the President signed the appropriations bill (now Public Law 98-139).

2. Challenge Grant Amendments of 1983 - Proposed Changes to Implementing Regulations

On September 26, 1983, the President signed into law the "Challenge Grant Amendments of 1983" (P.L. 98-95), enacting a new program of aid to higher education institutions. Before enactment, we made our concerns known with regard to an audit provision in the legislation which we felt was not broad enough, since it appeared to cover only the audit of expenditures and not of the investments or matching requirements on endowment funds under the Act. Because of the speed with which the bill was considered, our concerns could not be addressed.

Subsequent to enactment, however, the OIG reviewed proposed regulations to implement the newly established Endowment Grant program. We stated concerns relative to the audit provision, hopeful that some of the problems we found in the legislation could be corrected in the regulations. Since our concerns could be accommodated within the regulations, our recommended changes were incorporated into the notice of proposed rulemaking for the new program published on March 5, 1984.

3. Single Audit Legislation

Proposals to enact into law a single audit requirement for State and local recipients of Federal funds - S. 1510 in the Senate, H.R. 4821 in the House - received considerable attention in Congress during this reporting period. Both would incorporate many of the requirements now contained in OMB Circular A-102, Attachment P (see page I-19 of this report).

While supporting the basic concept behind this legislation, we have expressed concern relative to the significantly different definitions of a "major Federal assistance program" contained in the two bills. The definition includes the concept of a threshold level above which a federally-funded program at the State or local level must be audited. This level varies from $3 million in H.R. 4821 to $30 million in S. 1510. We believe that while the proper threshold probably lies somewhere between these amounts, further study is needed to determine that level, and thereby provide a proper balance between audit coverage and audit cost to State and local entities.

4. Departmental Review of Student Aid Regulations - Major OIG Participation

Executive Order 12291 requires executive agencies to periodically review their regulations to determine possible areas for deregulation - e.g., through simplification, clarification, consolidation, reduction in unnecessary burden, etc. In

accordance with this requirement, the Department has initiated a major effort to review its regulations concerning the student financial assistance programs. Because of the size of these programs and the OIG's extensive involvement with them through both audits and investigations, we are carefully examining these proposals prior to their publication. The Department's Office of Postsecondary Education is actively cooperating with us in our efforts to see that, to the greatest extent possible, the regulations address the vulnerability of these programs to fraud and abuse and maximize their integrity and efficiency.

CHAPTER IV

OTHER MATTERS

A. COMPLAINT CENTER

During this reporting period, we received a total of 67 Hotline complaints alleging fraud, waste or abuse of ED funds, including three referred by the General Accounting Office. To date, a total of 17 of the 64 complaints closed during the period - about 27 percent - were substantiated and resulted in corrective action by the Department.

Since establishing the OIG Hotline in May 1980, we have received 611 complaints, 121 of which were referred by GAO. A total of 512 of these have been closed and 107 - or about 21 percent of those closed - have been substantiated. Following are two examples of complaints substantiated and closed this period.

In one complaint, referred by GAO, it was alleged that grant funds provided to a university for the purpose of institutional development - under Title III of the Higher Education Act - had been used for other purposes. The complainant alleged that Title III funds had been used for university programs which were not related to the grant objectives. An OIG audit disclosed that the allegations were correct, and that over $185,000 in grant expenditures should be disallowed. Action has been taken to recover the funds.

Another complaint received by the OIG Hotline alleged that an ED grantee had improperly used approximately $3,000 left over at the end of the grant project for travel unrelated to the program. An OIG audit subsequently substantiated the allegation, and disclosed additional unallowable costs. As a result, corrective action has been taken to recover over $15,000 in misused grant funds.

B. OIG BUDGETARY CONSTRAINTS

As reported previously, the OIG continues to experience severe funding shortages. This problem has been exacerbated in fiscal year 1984 due to the fact that the maximum funding level authorized for ED-OIG in the Omnibus Budget Reconciliation Act of 1981 is insufficient to support the number of staff that we currently have on board.

We are continuing to work with Departmental officials to alert the Congress to our need of additional funds for the current fiscal year. A supplemental appropriation of $2 million has been requested by the Administration, and a deficiency

apportionment has been transmitted by the Secretary and approved by OMB. Meanwhile, we are faced with continuing budgetary restraints which severely impair our ability to achieve the mandates of the Inspector General Act of 1978.

C. PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

We are actively participating in a number of interagency projects and committees initiated by the President's Council on Integrity and Efficiency (PCIE) which involve government-wide efforts. Our participation includes co-chairing the Council's A-102, Attachment P evaluation project and membership in the following PCIE-sponsored committees:

- Investigation and Law Enforcement Committee
- Performance Evaluation Committee
- Training Committee

In addition to membership in the project and committees mentioned above, the OIG is an active participant in numerous other PCIE initiatives.

D. SUBPOENAS ISSUED

The Inspector General is authorized to issue administrative subpoenas to require the production of information necessary for the performance of mandated responsibilities. During this reporting period, two administrative subpoenas were issued.

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed in the Inspector General Act of 1978 are listed below.

SOURCE	LOCATION IN REPORT
INSPECTOR GENERAL ACT	
Section 4(a)(2) -- Review of Legislation and Regulations	Page III-4
Section 5(a)(1) -- Significant Problems, Abuses, and Deficiencies	Page I-3 Page II-2
Section 5(a)(2) -- Recommendations with Respect to Significant Problems, Abuses and Deficiencies	Page I-3
Section 5(a)(3) -- Prior Significant Recommendations Not Yet Implemented	Page I-19
Section 5(a)(4) -- Matters Referred to Prosecutive Authorities	Page II-1
Section 5(a)(6) -- Listing of Audit Reports	Page V-2
Section 5(a)(5) and 6(b)(2) -- Summary of Instances Where Information was Refused	(There were no instances where information was unreasonably refused.)

Federal Audits of Education Department Programs
October 1, 1983 Through March 31, 1984

Section 5(a)(6) of the Inspector General Act requires a listing of each audit report completed by OIG during the reporting period. A total of 116 audit reports were completed by Federal auditors. These reports are listed below:

ACN	ENTITY NAME	ISSUE DATE
01-30003	MASS ST REHAB COMM	01/84
01-30011	SUFFOLK UNIV	11/83
01-30017	MASS ST DEPT OF EDUCATION SP ED	02/84
01-30027	CONN STATE DEPT OF ED	01/84
01-30029	NORTHERN ESSEX COMM COLL CWS	03/84
01-30031	BUNKER HILL COMM COLLEGE	03/84
01-30034	QUINSIGAMOND COMMUNITY COLLEGE	03/84
01-30039	BOSTON UNIV	01/84
01-30044	PROVIDENCE PUBLIC SCHOOLS	11/83
01-40101	SAINT ANSELM COLLEGE	01/84
02-30022	NYC COMMUNITY SCHOOL DISTRICT #2	12/83
02-30025	NEW JERSEY STATE ED DEPT	02/84
02-30029	NEW JERSEY STATE ED DEPT	02/84
02-30039	KEUKA COLLEGE	03/84
02-30040	INTER AMERICAN UNIVERSITY	11/83
02-30041	COLEGIO UNIVERSITARIO METROPOLITANO	10/83
02-30042	IIP OF WORLD UNIVERSITY	11/83
02-40101	ORIGINAL BALLETS FOUNDATION INC.	11/83
02-48901	TEACHERS COLLEGE	10/83
02-48902	RESEARCH FOUNDATION - CUNY	01/84
02-48903	MATHEMATICA POLICY RESEARCH INC	03/84
03-30027	DC PUBLIC SCHOOLS TITLE 1	02/84
03-30032	PA HIGHER ED ASST AGENCY	01/84
03-30034	DE STATE VOC REHAB SERVICES	02/84
03-30035	INTERAMERICA RESEARCH ASSOC	11/83
03-40100	DELAWARE STATE COLL	11/83
03-41201	CHRISTOPHER NEWPORT COL	03/84
03-42000	HUMAN RESOURCE MGMNT INC	10/83
03-42001	DINGLE ASSOCIATES INC	10/83
03-42002	GEORGETOWN UNIV	10/83
03-42003	PENN STATE UNIV	10/83
03-42004	DEVELOPMENT ASSOC INC	11/83
03-42005	CENTER FOR SYSTEMS & PROGRAM DEVEL	11/83
03-42006	DEVELOPMENT ASSOC INC	12/83
03-42007	DEVELOPMENT ASSOC INC	12/83
03-42008	DEVELOPMENT ASSOC INC	12/83
03-42009	DEVELOPMENT ASSOC INC	12/83
03-42010	DEVELOPMENT ASSOC INC	12/83
03-42011	DEVELOPMENT ASSOC INC	12/83
03-42012	DEVELOPMENT ASSOC INC	12/83

Federal Audits of Education Department Programs (cont.)

ACN	ENTITY NAME	ISSUE DATE
03-42013	DEVELOPMENT ASSOC INC	12/83
03-42014	DEVELOPMENT ASSOC INC	12/83
03-42015	U S CONFERENCE OF MAYORS	12/83
03-42016	U S CONFERENCE OF MAYORS	12/83
03-42017	GENERAL PHYSICS CORP	01/84
03-42018	INTERNATIONAL BUSINESS SER INC	01/84
03-42019	DEVELOPMENT ASSOCIATES INC	01/84
03-42020	JWK INTERNATIONAL CORP	03/84
03-42021	CONF OF MAYORS RES & ED FOUNDATION	03/84
03-42022	VSE CORP	03/84
03-42023	SYSTEM SCIENCES INC	03/84
03-49021	HUMAN SERV TRAINING & RES COUNCIL	11/83
04-30002	MOBILE PUB CO SCHOOL SYSTEM	03/84
04-30021	ALBANY STATE COLLEGE	10/83
04-30043	AMERICAN CAREER TRAINING	10/83
04-30049	FL DEPT OF ED-CASH MGT	11/83
04-30062	SHAW UNIV-HOUSING LOAN PROGRAM	03/84
04-30068	BETHEL COLLEGE-HOUSING LOAN PROGRAM	02/84
04-30071	UNIV OF GA-MCP	11/83
04-30072	AMERICAN NATL BANK - GSLP LENDER	11/83
04-31094	MEDICAL UNIV OF SOUTH CAROLINA	01/84
04-40102	KNIGHT'S BEAUTY COLLEGE	02/84
04-40108	WILLIAMSBURG TECHNICAL COLLEGE	02/84
05-30025	MINNEAPOLIS COMMUNITY COLL - TRIO	01/84
05-30030	OHIO ST REHAB SERV-COMM VR PROG	11/83
05-30034	WISC BD VOC TECH & ADULT ED	03/84
05-30058	MULTI RESOURCE CENTERS, INC	02/84
05-30061	UNIV OF STEUBENVILLE	03/84
05-30063	ED REG V - PAYROLL LIM REVIEW	02/84
05-30066	LINC RESOURCES, INC.	10/83
05-31262	UNIV OF WISC MADISON	10/83
05-40103	A T KEARNEY, INC	01/84
05-41022	UNIV OF WISC MADISON	10/83
05-41190	OHIO STATE UNIVERSITY RES FOUND	03/84
06-30007	REGION XIII SVC CTR AUSTIN	11/83
06-30008	REGION IV ED SVC CTR ADM COST	11/83
06-30009	REGION X ED SVC CTR ADM COST	11/83
06-30010	TEX ED AGCY ADM COST TITLE I & IV	12/83
06-30024	EL PASO COMMUNITY COLLEGE	01/84
06-40102	LA NATIONAL BANK	11/83
06-40105	LA AMERICAN BANK & TRUST CO	11/83
06-49027	LAJEAN'S SCHOOL OF BEAUTY	03/84
07-30017	CENTRAL MISSOURI STATE UNIVERSITY	01/84
07-30024	KEMPER MILITARY SCHOOL AND COLLEGE	12/83
07-30028	NEBRASKA COLLEGE OF BUSINESS	02/84

Federal Audits of Education Department Programs (cont.)

ACN	ENTITY NAME	ISSUE DATE
07-30033	WICHITA STATE UNIVERSITY	02/84
07-30034	FORT HAYS STATE UNIVERSITY	02/84
08-30001	ADAMS DISTRICT 1	10/83
08-30009	WYOMING DEPARTMENT OF EDUCATION	12/83
08-30012	METROPOLITAN STATE COLLEGE	03/84
08-30015	NORTH DAKOTA ST BD OF VOC ED	12/83
08-30018	COLORADO STATE TREASURER	03/84
08-30023	EXEMPLARY CENTER FOR READING INSTRU	12/83
08-30024	HURON COLLEGE	02/84
09-30027	CAL ST DEPT ED MIGRANT ED MINI-CORPS	12/83
09-30029	RICHMOND UNIFIED SCHOOL DISTRICT	02/84
09-30034	LOS ANGELES CITY SCHOOL DISTRICT	03/84
09-30044	HAWAII LOA COLLEGE	02/84
09-30061	AFFILIATION OF ARIZ INDIAN CENTER	01/84
09-30064	NAOMI GRAY ASSOCIATES	10/83
09-30065	VOLUNTEERS OF AMERICA	01/84
09-41504	CAL STATE UNIV LOS ANGELES FDN	10/83
09-41505	ARIZONA STATE UNIVERSITY	10/83
09-41511	UNIVERSITY OF SOUTHERN CALIFORNIA	11/83
09-41521	SRI INTERNATIONAL	02/84
10-30010	ED OPSE ADMIN OF COLL HOUSING PROG	10/83
10-30027	ANCHORAGE COMMUNITY COLLEGE	10/83
10-30034	VR ECONOMIC NEEDS SURVEY	11/83
10-40100	NW REG LAB	12/83
10-40101	NW REG LAB	12/83
11-30001	TEACHER CORPS-EVAL CONTRACT	01/84
11-30002	REVIEW OF ED APPEALS	01/84
11-30017	REVIEW OF ED ACCOUNTS RECEIVABLE	01/84
11-30035	MANAGEMENT OF CONSULTING SERVICES	02/84
11-40102	PROGRESS IN IMPLEMENTING FMFIA	12/83
11-40104	ACCOUNTS RECEIVABLE FOLLOW-UP REVIEW	03/84

SCHEDULE OF ACCOUNTS RECEIVABLE

The Senate Committee on Appropriations' report on the Supplemental Appropriations and Rescission Bill of 1980 directed the Inspectors General to include in their semi-annual reports a summary of the total amounts due their agency or Department, as well as amount overdue, and amounts written off as uncollectable during the reporting period. The following schedule was provided by the Office of Financial Management Service for inclusion in our semi-annual report. The accounts receivable statistics have not been audited by the OIG. We are therefore unable to attest to the accuracy of the data provided.

SCHEDULED 9, SF-220 REPORT OF STATUS OF ACCOUNTS AND LOANS RECEIVABLE DUE FROM THE PUBLIC			AS OF March 31, 1984
BUREAU OR FUND NAME: Consolidated	BUREAU IDENTIFICATION NO.: 91-02-0001		FUND ACCT. SYMBOL:
Section I: RECONCILIATION	Accounts Receivable	Loans Receivable	Other Receivables
1. Beginning Receivables	430,854,652	10,258,296,441	350,883,909
2. Activity			
a. New receivables during the Fiscal year	210,586,049	424,630,546	25,409,200
b. Repayments on receivables	-249,937,897	-135,361,323	-0-
c. Reclassified amounts	19,062,944	95,295,919	-98,064,335
d. Amounts written off	-185,849	-19,262,289	-244,000
3. Ending Receivables	430,379,899	10,623,599,294	477,984,774
Section II: OUTSTANDING RECEIVABLES			
1. Current Receivables			
a. Not Delinquent	208,721,272	137,258,534	XXXXXXXXXXXXXX
b. Delinquent			
1. 1-30 Days	1,961,636	1,135,970	XXXXXXXXXXXXXX
2. 31-90 Days	7,756,116	1,647,523	XXXXXXXXXXXXXX
3. 91-180 Days	9,427,771	117,286,348	XXXXXXXXXXXXXX
4. 181-360 Days	14,847,449	348,504,801	XXXXXXXXXXXXXX
5. Over 360 Days	187,665,655	2,154,138,563	XXXXXXXXXXXXXX
Total Delinquent Receivables	221,658,627	2,622,713,205	XXXXXXXXXXXXXX
2. Non-Current Receivables	XXXXXXXXXXXXXXXXXXX	7,863,627,555	477,984,774
3. Total Receivables	430,379,899	10,623,599,294	477,984,774
Section III: ALLOWANCES AND WRITE- OFFS			
1. Total allowances for uncollectible accounts, beginning of period	19,557,520	1,301,647,435	230,143,134
2. Total actual write-offs during the fiscal year	-185,849	-19,262,289	-244,000
3. Adjustment to allowance account for the period (provision for loss expense	-777,721	14,662,254	-0-
4. Total allowances end of period	18,593,950	1,297,047,400	249,899,134
Section IV: ADMINISTRATIVE ACTIONS			
1. Delinquent accounts referred to GAO			
a. Number	-0-	-0-	-0-
b. Amounts	-0-	-0-	-0-
2. Delinquent accounts referred to Justice			
a. Number	137	43,167	43,030
b. Amount	13,000	80,212,000	35,554,000

Section V: RESCHEDULED RECEIVABLES	Accounts Receivable	Loans Receivable	Other Receivables
1. Current Rescheduled Receivables			
a. Not Delinquent	2,194,508	-0-	XXXXXXXXXXXXXXXX
b. Delinquent			
1. 1-30 days	1,762,520	51,001,000	XXXXXXXXXXXXXXXX
2. 31-90 days	609,631	17,744,000	XXXXXXXXXXXXXXXX
3. 91-180 days	348,611	7,759,151	XXXXXXXXXXXXXXXX
4. 181-360 days	396,173	5,406,000	XXXXXXXXXXXXXXXX
5. Over 360 days	1,719,148	9,997,122	XXXXXXXXXXXXXXXX
Total Delinquent Receivables	4,836,083	91,907,273	XXXXXXXXXXXXXXXX
2. Non-Current Rescheduled Receivables	XXXXXXXXXXXXXXXXXX	14,336,000	3,870,526
3. Total Rescheduled Receivables	7,030,591	106,243,273	3,870,526
Section VI: INTEREST AND PENALTIES ON DELINQUENCIES			
1. Beginning interest and penalties	1,332,436	-0-	-0-
2. Activity			
a. New interest and penalties assessed during fiscal year	376,585	-0-	-0-
b. Interest and penalties collected during the fiscal year	-279,668	-0-	-0-
c. Interest and penalties written off during the fiscal year	-1,078,463	-0-	-0-
3. Ending interest and penalties	350,890	-0-	-0-
Section VII: ADDITIONAL DATA			
1. Number of receivables (Section II)			
a. Not Delinquent	16,568	3,175	XXXXXXXXXXXXXXXX
b. Delinquent			
1. 1-30 days	1,362	1,135	XXXXXXXXXXXXXXXX
2. 31-90 days	1,852	1,458	XXXXXXXXXXXXXXXX
3. 91-180 days	3,449	63,532	XXXXXXXXXXXXXXXX
4. 181-360 days	5,710	104,571	XXXXXXXXXXXXXXXX
5. Over 360 days	520,108	1,388,729	XXXXXXXXXXXXXXXX
Total Delinquent Receivables	532,481	1,559,425	XXXXXXXXXXXXXXXX
2. Number of receivables collected (Fiscal year to date - Section I)	31,717	737,282	-0-
3. Average rate of interest assessed on delinquent accounts	9%	-0-	XXXXXXXXXXXXXXXX

Schedule 9, Footnote for
Department of Education Consolidated Reports

1/ There has been a $20,000 adjustment on the Consolidated statement which reflects the fact that the Pell Grants balance as of September 30, 1983 was overstated.

2/ The September 30, 1983 report omitted the number of accounts receivable delinquent over 360 days which should have been 430,727, the same as the loan receivable.

* U.S. GOVERNMENT PRINTING OFFICE: 1984- 421-054:4209